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BUSINESS CONDITIONS

Vol. 5 No. 11

November, 1932

	ALEXANDER HAMILTON INSTITUTE	BABSON STATISTICAL ORGANIZATION	BROOKMIRE ECONOMIC SERVICE	THOMAS GIBSON	SILVERMASTER
GENERAL OUTLOOK	Business is suffering a slight relapse after Fall improvement. Further betterment must evidently await further progress in process of readjustment (Nov. 19).	Sweeping democratic victory holds possibilities for business improvement next year. Average volume of business in 1933 will be at least 10% greater than in 1932 (Nov. 21).	Approximate bottom of depression reached; some hesitation during Winter months logical; but substantial and sustained recovery only matter of time (Nov. 14).	Temporary setback in general trade, but bottom of depression was reached at midyear; 1933 will be better year than 1932; next major movement upward (Nov. 18).	Business and labor developments will move in opposite directions (Nov. 18).
MONEY AND CREDIT	Banking situation as whole is not only better than in 1930 and 1931, but there is definite indication of some piling up of loanable funds (Nov. 17).	Banks have seen worse and are now firmly on upgrade (Nov. 7). Credit superabundant; there will be no lack of funds to retard business recovery in 1933 (Nov. 14 & 21).	Reserve banks' program of purchasing government securities in open market in large amounts has had unfortunate effect upon our banking system and capital markets (Nov. 21).	Substantial increase in member bank credit essential to substantial increase in trade activity. Bank credit has been expanding since late July (Nov. 18).	Disinflationary movement is essential to recovery (Nov. 18).
SECURITY MARKETS	If on further rally, stock market able to absorb new offerings and push through August-September levels, advance of some consequence probable before year-end (Nov. 17).	Bear market ended in Summer. Major trend of stock market in 1933 will be upward; 1933 will be good year for bond market (Nov. 21).	Trend of stocks downward last week; loss cancelled about three-quarters of gain of preceding week, but left averages around 10% above recent lows (Nov. 21).	Low security price level and prospects for long term improvement offer great bargain opportunities; bond market likely to assume leadership in rise (Nov. 4 & 11).	Investment in securities is essential to recovery (Nov. 18).
PRODUCTION	Present indications that factory output reached low for depression last July. If so, factory output likely to reach new high peak in Fall of 1935 (Nov. 5).	Next year will bring greater production and lower prices for automobiles. Aircraft industry will show gradual strength. Steel industry will improve (Nov. 21).	In October, little more than seasonal gain in pig iron, rise in steel, pronounced decline in automobiles. In November, steel holding up contrary to seasonal (Nov. 21).	Automotive industry will substantially expand operations during coming weeks as new models for 1933 are put into production (Nov. 18).	Production of goods is essential to recovery (Nov. 18).
DISTRIBUTION	Seasonal gain in department store sales in October did not exceed usual amount and consequently did not represent basic expansion, but no setback occurred (Nov. 19).	Carloadings for week ended Oct. 22 were roughly 642,000 cars, a slight and approximately normal decline from previous week; no undue recession yet (Nov. 7).	In October, sharp rise in indexes of carloadings and department store sales, corrected seasonally. In November, carloadings have declined more than seasonally (Nov. 21).	It appears clearly forecast that rate of decline in railroad freight carloadings during rest of year will be substantially smaller than last year (Nov. 4).	Railroad traffic is essential to recovery (Nov. 18).
BUILDING	Total building contracts dropped to new low for depression in October. Residential contracts, after upward trend in August and September, declined (Nov. 12).	In 1933, general building industry will lag, except small houses; in 1933 total construction will about equal that of 1932 (Nov. 21).	Organized inflation of public expenditures for construction has failed to maintain business activity and has proved costly and inefficient as means of unemployment relief (Nov. 21).	Little change is taking place in volume of new construction contracts awarded (Nov. 18).	Construction is essential to recovery (Nov. 18).
AGRICULTURE	U. S. spring wheat crop showed further slight reduction in September; smaller supply will probably be offset by virtual stagnation in foreign demand (Oct.).	On Oct. 1, government estimated 1932 corn crop at 2,884,682,000 bu.—increase of 12½% over 1931 and of about 10½% over 1924-1928 average (Oct. 31).	Farm prices have fallen at least as low as they would if government had not sunk half-billion dollars in stabilization programs; in end, farmers must curtail output (Nov. 21).	It would be part of wisdom to stock up depleted inventories; substantially higher prices for commodities are in prospect, notably wheat, corn, cotton (Oct. 28).	Food prices are essential to recovery (Nov. 18).
COMMODITY PRICES	Renewal of downward trend in manufactured goods prices; slow and painful decline in prospect. Speedy business recovery, consequently, cannot be expected (Nov. 5).	Higher commodity prices forecasted for next year. Recovery will be irregular, interrupted by seasonal weakness and reactions from too rapid advances (Nov. 21).	Decline in commodity prices continues; some items down to about old lows; reduction in supplies necessary if raw material prices are to be strengthened (Nov. 21).	With bank credit expanding and world gold supply steadily increasing, long range outlook for substantially higher prices more and more favorable (Nov. 18).	Commodity prices are essential to recovery (Nov. 18).
FOREIGN TRADE AND CONDITIONS	U. S. exports \$132,000,000 in September, against \$109,000,000 in August, and \$107,000,000 in July—depression low. Trend of imports also upward (Oct. 29).	After inauguration, Roosevelt will probably call international tariff conference; international cooperation in solving tariff muddle and debt problems likely in 1933 (Nov. 21).	U. S. has received memoranda from England, France, Belgium relative to war debts; ultimately war debts will prove to be uncollectable (Nov. 21).	Congress will have to agree to conference with debtor nations to examine their capacity to pay; neither cancellation, nor repudiation, but revision will result (Nov. 18).	Foreign trade is essential to recovery (Nov. 18).
LABOR AND WAGES	Gain of 375,000 in factory workers in August and September; payrolls at \$379,000,000 in September, against \$357,000,000 in July (Nov. 5).	Following seasonal recessions during next few months, employment and payrolls will turn upward; 1933 levels will show marked improvement over 1932 (Nov. 21).	September manufacturing employment 16% below, payrolls 31% below last year. A. F. of L. estimates 13,000,000 persons will be unemployed by January (Oct. 31).		Labor conditions are essential to recovery (Nov. 18).

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MONEY AND CREDIT	Banking situation as whole is not only better than in 1930 and 1931, but there is definite indication of some piling up of loanable funds (Nov. 17).	Banks have seen worse and are now firmly on upgrade (Nov. 7). Credit superabundant; there will be no lack of funds to retard business recovery in 1933 (Nov. 14 & 21).	Reserve banks' program of purchasing government securities in open market in large amounts has had unfortunate effect upon our banking system and capital markets (Nov. 21).	Substantial increase in member bank credit essential to substantial increase in trade activity. Bank credit has been expanding since late July (Nov. 18).	Disinflationary policy will be continued.
SECURITY MARKETS	If on further rally, stock market able to absorb new offerings and push through August-September levels, advance of some consequence probable before year-end (Nov. 17).	Bear market ended in Summer. Major trend of stock market in 1933 will be upward; 1933 will be good year for bond market (Nov. 21).	Trend of stocks downward last week; loss cancelled about three-quarters of gain of preceding week, but left averages around 10% above recent lows (Nov. 21).	Low security price level and prospects for long term improvement offer great bargain opportunities; bond market likely to assume leadership in rise (Nov. 4 & 11).	Investment in government bonds will continue to be high.
PRODUCTION	Present indications that factory output reached low for depression last July. If so, factory output likely to reach new high peak in Fall of 1935 (Nov. 5).	Next year will bring greater production and lower prices for automobiles. Aircraft industry will show gradual strength. Steel industry will improve (Nov. 21).	In October, little more than seasonal gain in pig iron, rise in steel, pronounced decline in automobiles. In November, steel holding up contrary to seasonal (Nov. 21).	Automotive industry will substantially expand operations during coming weeks as new models for 1933 are put into production (Nov. 18).	Production of goods will continue to be low.
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COMMODITY PRICES	Renewal of downward trend in manufactured goods prices; slow and painful decline in prospect. Speedy business recovery, consequently, cannot be expected (Nov. 5).	Higher commodity prices forecasted for next year. Recovery will be irregular, interrupted by seasonal weakness and reactions from too rapid advances (Nov. 21).	Decline in commodity prices continues; some items down to about old lows; reduction in supplies necessary if raw material prices are to be strengthened (Nov. 21).	With bank credit expanding and world gold supply steadily increasing, long range outlook for substantially higher prices more and more favorable (Nov. 18).	Prices of commodities will continue to be low.
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IS AND FORECASTS

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1932

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SILBERLING RESEARCH CORPORATION	CLEVELAND TRUST COMPANY	GUARANTY TRUST COMPANY	NATIONAL CITY BANK
<p>Boosting of business in July and August has virtually collapsed; unsound and premature developments thereby created will be readjusted in coming months (Nov. 5).</p>	<p>Political campaign definitely retarded business improvement. Part of gains have been retained but rate of advance has slowed down (Nov. 15).</p>	<p>Despite irregularity, general business trend unquestionably toward higher levels; most acute phase of depression past; progress will be slow (Oct. 31).</p>	<p>Country needs preservation of sound principles in public finance. Tax burden growing, now that taxes must be paid out of incomes cut in half (Nov.).</p>
<p>Distinct probability of severe unsettlement in bond values and advance in interest rates as clogged condition of our banking assets is unscrambled (Nov. 5).</p>	<p>For first time in depression, banks in position to pursue policy of credit expansion; their excess reserves constitute potent influence in that direction (Nov. 15).</p>	<p>Banking situation shows vast improvement; hoarding on decrease; continuation of process of liquidating frozen assets; fewer bank failures (Oct. 31).</p>	<p>Banking situation continues to improve, due mainly to decline in hoarding and inflow of gold; interest rates will probably be low for protracted period (Nov.).</p>
<p>Instead of signs of restored confidence, nothing in stock and bond markets but tedious fluctuation having all earmarks of lingering distributive efforts (Nov. 19).</p>	<p>Following liquidation in security prices and rapid declines in business activity, need for funds decreased and member bank borrowings fell (Nov. 15).</p>	<p>Stock prices, as measured by Dow-Jones averages, approximately mid-way between low point of last Summer and peak of early September (Oct. 31).</p>	<p>In security markets, trend during October reactionary; corporate bond prices have moved slightly downward, in sympathy with stock market (Nov.).</p>
<p>If population flattening, as evident, our productive volume cannot be quickly restored to recent exaggerated levels for any length of time without important new markets (Nov. 19).</p>	<p>July industrial production of 51.1% below normal probably low point of depression; curtailment extreme in comparison with low records of earlier depressions (Nov. 15).</p>	<p>Substantial gains in steel and iron production; further increases in textile output; upward trend in coal production; severe curtailment in automobiles (Oct. 31).</p>	<p>Notable rise in output of textiles in August and September; expansion extended to apparel lines, including shoes and furnishings (Nov.).</p>
<p>Recent improvement in carloadings will be promptly erased by inevitable let down in coal traffic in next few months and in grains and in merchandise in next six weeks (Nov. 19).</p>	<p>Large increase in new construction, buying by railroads, industrial equipment, sales of motor vehicles needed to restore normal business activity (Nov. 15).</p>	<p>Some improvement in retail trade. Continued expansion in movement of railway freight, with resulting recovery in railroad earnings (Oct. 31).</p>	<p>In first half of October, department store dollar sales in metropolitan New York were only 13.9% below last year (Nov.).</p>
<p>Contracts awarded in October fell well under September; little prospect of any significant upturn in general construction for next several months (Nov. 19).</p>	<p>Low price levels of raw materials are resulting in meager purchasing power on part of farmers, miners and oil country workers (Nov. 15).</p>	<p>Severe curtailment has continued in construction industry. In September, adjusted index of construction activity continued to move downward (Oct. 31).</p>	<p>Building contracts, running only one-half of last year's totals, nevertheless indicate a bottom; contrary to usual, third quarter was better than second (Nov.).</p>
<p>Barring severe and extensive failure of harvests we cannot anticipate survival of agricultural exports sufficient to justify large staple crops which continue to be raised (Oct. 29).</p>	<p>Excess stocks of raw materials bearing down upon already collapsed prices; producers of raw materials unable to buy normal amounts of manufactured goods (Nov. 15).</p>	<p>Reactionary tendency in prices has been particularly marked in farm products and has carried grain quotations to lowest levels on record (Oct. 31).</p>	<p>Wheat has lately sold 16 cents and corn 12 cents below top of Summer advance, and both at new lows for depression. Cotton has lost 3 cents of its early rise (Nov.).</p>
<p>Improvement in price level must come from more active trade, which, in turn, demands release of commercial activities from political domination and artificial devices (Nov. 12).</p>	<p>In world as whole, warehouse stocks of staple goods exist in greatly excessive volumes and restrict purchasing power of raw material producing countries (Nov. 15).</p>	<p>Upward movement in commodity prices was sharply reversed in 30 days ended Oct. 15. Of 23 commodities in Guaranty price index, fifteen declined (Oct. 31).</p>	<p>Following Summer rise, commodity prices have moved downward since early September—evidence that relationships of prices continue out of balance (Nov.).</p>
<p>Price decline intensified by existence of exchange depreciation in countries like Japan; still further deflation threatened by fall in sterling exchange (Nov. 5 & 19).</p>	<p>Proposed shorter working week and shorter day should be put into effect among farmers, oil drillers, and miners rather than among factory workers (Nov. 15).</p>	<p>In France, moderate improvement in business has continued. Increase in some lines of trade in Germany. Several favorable developments in Italy (Oct. 31).</p>	<p>In October, further decline in pound sterling was fresh disturbance; evident that "managed" currency, cut loose from gold, may improve unmanageable (Nov.).</p>
<p>Failure of improvement in farm prices and in total industrial payrolls may easily defer any real signs of commercial recovery several months at least (Nov. 19).</p>		<p>A small but genuine increase has occurred in industrial employment in last few weeks (Oct. 31).</p>	<p>In September, there was rise of 3.6% in industrial employment and of 2.6% in payrolls—both larger than usual seasonal gains (Nov.).</p>